

CA20NAF90

-72A45

ALTERNATIVES FOR THE ONTARIO TENDER FRUIT INDUSTRY

by E. L. CHUDLEIGH

ONTARIO FOOD COUNCIL



Ontario

General publications

F-6-37

CAZØNAF 90
- 72A45

STUDY COMMITTEE

E. L. Chudleigh Chairman
Market Development Specialist
Ontario Food Council

J. R. Rainforth
Associate Director
Horticultural Crops
Soils and Crops Branch
Ministry Agriculture and Food

Prepared by: E. L. Chudleigh
Submitted September 1972



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761114699309>

CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION..... | 1 |
| The Canadian Tender Fruit Industry..... | 1 |
| Summary..... | 3 |
| RECOMMENDATIONS..... | 6 |
| CHAPTER I | |
| TENDER FRUIT VARIETIES AND MARKETS | |
| Grapes | 8 |
| Montmorency Cherries..... | 12 |
| Sweet Cherries..... | 13 |
| Pears | 14 |
| Peaches | 16 |
| CHAPTER II | |
| THE PEACH PROCESSING SITUATION..... 21 | |
| History of Foreign Imports..... | 22 |
| Ontario Costs..... | 22 |
| International Distribution Costs and a Comparison of Wholesale Peach Prices in Toronto..... | 27 |
| California..... | 27 |
| Australia..... | 29 |
| South Africa..... | 31 |
| Peach Processing Varieties..... | 31 |
| CHAPTER III | |
| TENDER FRUIT PRODUCTION AND THE FRESH MARKET..... 34 | |
| Urban Sprawl and the Grower..... | 34 |
| The Fresh Market..... | 35 |
| CHAPTER IV | |
| COORDINATION OF GROWER MARKETING IN THE '70's | |
| Problems of the Markets..... | 38 |
| Will Ontario Tender Fruit Processing Continue?..... | 39 |
| Information for Effective Marketing..... | 40 |
| CHAPTER V | |
| LABOR AND STORAGE | |
| Labor..... | 46 |
| Storage..... | 47 |
| Conclusions..... | 49 |

TABLES, FIGURES AND DIAGRAMS

| | <u>Page</u> | |
|------------|--|----|
| Table 1. | British Columbia Tender Fruit Production.... | 2 |
| Table 2. | Ontario Tender Fruit Production..... | 3 |
| Table 3. | Ontario Grapes..... | 10 |
| Table 4. | Grapes by Varieties Used for Processing 1971 | 11 |
| Table 5. | Ontario Montmorency Cherries..... | 12 |
| Table 6. | Tariff Structures on Cherries into the U.K.. | 13 |
| Table 7. | Ontario Sweet Cherries..... | 14 |
| Table 8. | Ontario Pears..... | 16 |
| Table 9. | Ontario Peaches..... | 18 |
| Table 10. | Processed Peach Varieties..... | 18 |
| Table 11. | Projected Level of Consumption per Capita for Individual Fruits, Canada 1980..... | 19 |
| Table 12. | Canned Peaches Consumed in Canada..... | 20 |
| Table 13. | Average Cost of Processing a 24 x 14 oz. Case Freestone Peaches in Ontario..... | 23 |
| Table 14. | Example Cost Formula for Fresh Peaches..... | 25 |
| Table 15. | Price of Various Peaches Delivered to Warehouse - 24 x 14 oz. January 1972..... | 28 |
| Table 16. | Cost Structure of Processed Peaches Ontario and California..... | 29 |
| Figure 1. | Production of Peach Processing Varieties.... | 17 |
| Diagram 1. | Model for Communication in the Tender Fruit Industry..... | 43 |

INTRODUCTION

This study was undertaken to examine the tender fruit industry - peaches, pears, cherries, grapes, plums, and prunes - for the purpose of recommending policies which could improve its viability during the 1970's.

During the 1960's, with Canadians consuming more imported canned peach products, the peach processing industry faced increased competition from abroad. During the past 16 months two of the six major canners stopped processing peaches.

Urban development in the traditional Niagara growing area has created problems for the industry, limiting its potential for geographic expansion and in some cases reducing the prospects of assembling farms of a viable size.

While there are problems in some parts of the industry it also has its healthy aspects which can contribute to the overall viability of the tender fruit growing area. Fresh peaches and processing grapes are two volume commodities with good marketing prospects which--if the increase is orderly--will permit an increase in volume without creating problems.

A Study Committee chaired by E.L. Chudleigh, Ontario Food Council, and J.R. Rainforth, Soils and Crops Branch, Vineland Station, Ontario Ministry Agriculture and Food, looked at pertinent material on the subject and interviewed many members of the industry.

THE CANADIAN TENDER FRUIT INDUSTRY

Canadian tender fruit production is based principally in Ontario and British Columbia. The Ontario tonnage is about three times

that produced in British Columbia (Tables 1 & 2).

In Ontario production is concentrated in the Niagara region which many demographers predict will be completely urbanized in 30 years. Lesser quantities of tender fruit are produced in Essex, Kent, and Norfolk Counties bordering Lake Ontario, and Grey County bordering Georgian Bay.

With the exception of grapes and Montmorency cherries, there has been a definite trend toward shipping a greater percentage of Canadian crops to the fresh market. There has been a substantial increase in grape production since 1962--40 million pounds in Ontario and 14 million pounds in British Columbia--but this has not increased the total poundage of tender fruit being processed, since the other tender fruit crops have been losing a share of the fresh and processed markets. The trend in the peach industry is one for considerable concern and its implications will be examined in detail throughout the report.

Table 1. British Columbia Tender Fruit Production
(in thousands of pounds)

| Year | Cherries (Sweet) | Grapes | Peaches | Pears | Plums and Prunes |
|------|---------------------|--------|---------|--------|---------------------|
| 1962 | 9,580 | 3,420 | 31,174 | 30,132 | 14,704 |
| 1963 | 7,260 | 4,180 | 21,596 | 44,644 | 13,398 |
| 1964 | 15,850 | 5,782 | 35,850 | 42,750 | 15,900 |
| 1965 | 1,500 | 412 | - | 6,500 | 6,750 |
| 1966 | 8,600 | 6,036 | 18,050 | 43,750 | 13,550 |
| 1967 | 15,750 | 7,508 | 22,100 | 39,450 | 13,750 |
| 1968 | 8,500 | 12,388 | 17,800 | 44,950 | 6,900 |
| 1969 | 5,484 | 3,472 | - | 7,902 | 6,214 |
| 1970 | 13,734 | 18,136 | 20,116 | 37,680 | 8,556 |
| 1971 | 12,258 | 18,060 | 25,824 | 41,334 | 10,308 |

Table 2. Ontario Tender Fruit Production
(in thousands of pounds)

| Year | Cherries | | Grapes | Peaches | Pears | Plums | Prunes |
|------|----------|--------|---------|---------|--------|--------|--------|
| | Sour | Sweet | | | | | |
| 1962 | 10,611 | 11,520 | 89,000 | 81,635 | 53,460 | 6,538 | 2,836 |
| 1963 | 17,292 | 13,030 | 102,600 | 97,042 | 36,545 | 15,605 | 5,747 |
| 1964 | 30,224 | 12,040 | 113,800 | 107,229 | 55,075 | 11,579 | 5,600 |
| 1965 | 22,190 | 10,600 | 125,600 | 80,300 | 44,365 | 14,305 | 4,156 |
| 1966 | 13,209 | 12,064 | 116,400 | 86,181 | 55,641 | 10,264 | 5,432 |
| 1967 | 22,745 | 10,862 | 130,670 | 60,176 | 44,723 | 4,177 | 5,501 |
| 1968 | 16,100 | 8,200 | 109,400 | 79,428 | 37,083 | 6,194 | 5,844 |
| 1969 | 21,170 | 10,149 | 122,873 | 84,991 | 42,631 | 5,511 | 6,848 |
| 1970 | 15,142 | 6,052 | 126,462 | 90,254 | 43,402 | 6,848 | 5,036 |
| 1971 | 20,896 | 10,444 | 151,808 | 102,644 | 53,088 | 7,736 | 5,940 |

Source: Statistics Canada, Catalogue 22-003

SUMMARY

The total acreage of tender fruit in the province of Ontario has decreased over the past 10 years by about 5,000 acres. The grape acreage has increased, peach and pear acreage has decreased. Production of grapes and pears has increased, production of peaches decreased.

Because of the increase in tonnage of processed grapes over the past 10 years, the total tonnage of processed tender fruits has increased. Peach processing has decreased and the processing of some plum and prune varieties has been discontinued. The number of tender fruit crops that are being processed has consequently declined over the past 10 years.

Growers of tender fruit in the province of Ontario have the

choice of marketing their crop through a number of trade channels: wholesaling on the fresh market, retailing--or farmyard--trade, and processing markets. As a result the industry is uncertain about the continuity of supply.

If the tender fruit industry is to stabilize growers will have to direct portions of their crops to each market to satisfy all demands. Coordination of marketing under existing boards would accomplish this and also maximize profits to growers, wholesalers, and processors. A balance must be struck between crops. Over-production will seriously reduce profitability for all concerned. Reaching a balance between tender fruit crops grown in the Province of Ontario provides growers and marketing boards with a challenge in resource management.

Tender fruit processing in Ontario must be profitable if it is to continue. At this time Ontario is working against many drawbacks: for example revalued currencies make some imported tender fruit products cheaper in our market. The industry also faces increased pressure from abroad because of higher production in many foreign countries.

Our largest source of tender fruit imports is California. Some processors there are in a position to undercut Ontario production costs continually and disrupt marketing in this country. This may eventually cause the disappearance of a profitable Canadian industry. For peaches the Ontario costs average \$5.77 for a case of 24 x 14 oz. cans of freestone halves. The Californian price laid down in Ontario, based on average industry figures, is \$5.49 for a fancy quality clingstone peach of comparable size. If distress selling were not prevalent, California clingstone peaches in 24 x 14 oz. size fancy quality could be sold in the \$5.70 to \$6.00 range.

South Africa and Australia currently sell large volumes of their product to the United Kingdom market. With the U.K. entering the European Economic Community, this market will largely be lost to South African and Australian producers. Canada can expect increased attention from both countries as they search for new markets or to expand existing ones.

Storage and labor shortages in the Ontario tender fruit industry are becoming more and more critical. Mechanization is replacing hand labor wherever possible and the clingstone peach will make this transition easier. Storage shortages usually develop for short periods during the harvest season.

RECOMMENDATIONS

FEDERAL GOVERNMENT

To avoid adverse economic effects because of the U.K. entry into the E.E.C., the Federal Government should negotiate quotas with South Africa, Australia, and the U.S.A. to freeze the quantity of canned peaches and pears entering Canada at the average 1969-1970-1971 level for a 10-year period, with allowance for an increase in population growth.

PROVINCIAL GOVERNMENT

If the Federal Government acts to prevent the sale of imported tender fruit at distress prices the Provincial Government should adopt land zoning policies that will allow the production of tender fruit to continue. Urban sprawl, which has absorbed 5,000 acres of fruit land in the past 10 years through building and speculation, should be stopped in fruit production areas if the tender fruit industry is to continue.

Provincial and federal steps must be taken together, each depending on the other for success.

GROWERS

Growers of tender fruit should establish a unified organization to manage marketing of their crops effectively.

A total tender fruit organization committed to a continuing industry, working on a commodity basis, would do much to stabilize the profitability of the industry.

PROCESSORS

If the supply of tender fruit can be stabilized, processors must tell the growers' organization what varieties and

quantities of fruit are required for processing purposes.

GRAPE INDUSTRY

A strong representative Ontario Grape and Wine Market Development Committee, with a neutral Chairman, should be formed. This committee would try to insure a proper balance of grape varieties to meet processing needs.

CHAPTER 1
TENDER FRUIT VARIETIES AND MARKETS

GRAPES

As of 1971 an estimated 22,369 acres produced a projected annual average of 65,000 tons of grapes: in 1962, 20,883 acres produced a projected annual average of 50,000 tons of grapes. That is, a moderate increase in acreage of less than 10% generated an increase in average production of almost 23%. The value of Ontario's grape crop in 1971 exceeded that of any other fruit in the province. Where acreages of some other fruits are declining, acreages and new plantings of grapes are increasing.

For many years researchers have been trying to adapt superior grape varieties for wine production in the Niagara growing areas. More recently research has been expanded to include such areas as Essex, Kent, and Norfolk Counties, where weather conditions appear to be suitable. This research has provided a base for an actively growing Ontario wine industry. An eight-year production goal of 100,000 tons has been established. There is no reason why this cannot be reached if all segments are willing to work strenuously and with good faith toward this target. A development program with improved coordination between the Research Institute, the wineries and the Producer's Marketing Board should be able to produce sufficient grapes with a suitable balance of varieties for many years to come.

Recently some Ontario wineries have requested changes in the Liquor Control Act that would allow the importation of grape concentrate to meet the anticipated future demand for wine. It is difficult to accept this when Ontario wineries have not stated their requirements to Ontario producers in sufficient time for production to be geared up. Estimates point toward a healthy wine

growth potential. If Ontario is to develop a distinctive wine industry with a continued incentive for growth, development, and variety improvement, the introduction of foreign concentrates should be very strictly controlled if it is allowed at all.

Sales of Ontario wines have grown well (7%-10% per year), and this is expected to continue at the same pace, or perhaps slightly reduced. The prospects are excellent for increased grape sales provided the wineries give leadership and the incentive to select and produce the grape varieties required.

Market opportunities for Concord type grape juices, jams, and jellies are favorable. Ontario's first generation Central European Canadians with other taste preferences could create a new demand in Ontario for grape juices made from other varieties and hybrids. The market for fresh grapes is divided in two--table use and home wine making. It is not expected that the market for Ontario table grapes will increase significantly, but it may be possible to bring varieties more acceptable to consumers for table use into volume production. Ontario grape varieties are not considered suitable for home wine making by many Europeans, but continuing research may develop more acceptable varieties.

The grape and wine industry has been growing well but there are indications that to ensure continued growth and stability increased coordination and improved communication between all working segments of the industry, and with government research and other agencies, is required. A gradual development of new acreage and a more satisfactory balance of varieties to maximize utilization is needed.

It is recommended that a strong representative Ontario Grape and Wine Market Development Committee with a neutral chairman be formed. This committee would work toward coordinating a healthy

future for this important industry. It is also recommended that a Grape Production and Market Development Specialist be appointed to provide leadership and help coordinate all aspects of the industry. This person could act as chairman of the committee.

Table 3. Ontario Grapes

| Year | Acreage | Production tons | Percent of crop to fresh market |
|------|---------|--------------------|---------------------------------------|
| 1961 | 20,883 | 40,800 | |
| 1962 | | 44,500 | 20.0 |
| 1963 | | 51,300 | 28.7 |
| 1964 | | 56,900 | 36.4 |
| 1965 | | 62,800 | 40.3 |
| 1966 | 22,962 | 58,200 | 26.5 |
| 1967 | | 65,335 | 34.3 |
| 1968 | | 54,700 | 21.2 |
| 1969 | | 61,436 | 22.3 |
| 1970 | | 63,231 | 18.3 |
| 1971 | 23,191 | 75,904 | 17.0 |

Source: Statistics Canada - 22-003

Fruit Varieties Ministry of Agriculture and Food
Publication 430

TABLE 4. Grapes by Varieties Used For Processing
Survey of Tonnage - 1971

| <u>CLASS 1</u> | <u>TONS</u> | <u>CLASS 5</u> | <u>TONS</u> |
|--|---------------|------------------|--------------|
| Beta | 9½ | Baco | 2 |
| Concord | 25,479 | Blue Fr. Hybrids | 11 |
| Fredonia | 2,353 | Seibel 1000 | 260½ |
| Lomanto | 13 | 7053 | 36½ |
| Patricia | 12 | 9549 | 1,165½ |
| Van Buren | 82½ | 10878 | 2,974½ |
| Westfield | 59 | 26205* | 17 |
| Sub-Total | 28,008 | Sub-Total | 4,467 |
| <u>CLASS 2</u> | | <u>CLASS 6</u> | |
| Buffalo | 46½ | Alden | 33½ |
| Elvira | 7,465½ | Delaware | 2,340½ |
| Lakeview Spec. | 1 | Dutchess | 1,113½ |
| M. Reisling | 50 | Foch | 926 |
| Ontario | 73 | Can. Muscat | 279 |
| Vincent | 5½ | N.Y. Muscat | 233½ |
| V 35081 | 18½ | Sub-Total | 4,926 |
| 49423 | ½ | | |
| Seibel 159 | 31½ | | |
| Sub-Total | 7,692 | | |
| <u>CLASS 3</u> | | <u>CLASS 7</u> | |
| Agawam | 4,927 | Seibel 5276* | 1 |
| Diana | 14 | 5279 | 6 |
| Niagara | 12,267 | 8229 | 39 |
| Sub-Total | 17,200 | 9110 | 409½ |
| | | 10868 | 16½ |
| | | 51061* | 4 |
| | | S.V. 172 | 18 |
| | | Sub-Total | 494 |
| <u>CLASS 4</u> | | <u>CLASS 8</u> | |
| Veeport | 963 | B.S. 2862 | 92½ |
| 35122 | 54 | Couderc 29935 | 92 |
| 35123 | 62 | President | 982 |
| Sub-Total | 1,079 | Seibel | 17½ |
| <u>CLASS 4A</u> | | Sub-Total | 1,184 |
| Catawba | 1,828 | <u>CLASS 9</u> | |
| Sub-Total | 1,828 | Camay | 42 |
| | | J. Reisling | 20 |
| *Not previously classified but paid for under this class | | Pinot | 38 |
| TOTAL - 66,986 Tons | | Sub-Total | 100 |

MONTMORENCY CHERRIES

The total acreage of Montmorency cherries has been decreasing slightly and is now around 2,000 acres. Yields per acre have been increasing, however, and as a result production has increased to about 9,000 tons per year.

Table 5. Ontario Montmorency Cherries

| Year | Acreage | Production (thousands of pounds) | Percent of crop to fresh market |
|------------|---------|--|---------------------------------------|
| Avg. 1961- | | | |
| 65 | 3,901 | 26,659 | 14.6 |
| 1966 | 3,128 | 13,209 | 14.3 |
| 1967 | | 22,745 | 15.4 |
| 1968 | | 16,100 | 12.5 |
| 1969 | | 21,170 | 7.8 |
| 1970 | 2,916 | 15,143 | 11.8 |
| 1971 | | 20,896 | 13.0 |

Source: Statistics Canada - 22-003

Approximately 87% of the crop is frozen or canned. Close to 30% of the crop is canned and this percentage has been decreasing steadily. It is likely to continue to decline as the hot pack canned cherry encounters consumer resistance because of poor color in the products. The canned cherry pie fill market is experiencing stress as homemakers use fewer homemade products. Frozen cherries have increased in popularity and are sold mainly to bakeries, processors, and confectioneries. Between 600 and 750 tons a year are exported to the United Kingdom for manufacture into pie fill.

Table 6. Tariff Structures on Cherries into the U.K.

| | Imperial Preference % | Full Rate % | Full Tariff after joining EEC in 1978 % |
|--------|--------------------------|----------------|--|
| Canned | 0 | 10 | 32 |
| Frozen | 0 | 15 | 26 |

Source: E.E.C. Tariff Structure - Common Market Information Library, London

After the U.K. joins the E.E.C., Canada will lose her imperial preference and cherries imported into the U.K. or E.E.C. will face tariffs of 32% for canned and 26% for frozen by 1978. Competitors from the states of New York and Michigan will face the same tariff barriers. Prospects for continuing the export of 600-750 tons a year to the U.K. should be regarded with guarded optimism.

Ontario growers presently price their produce three cents above the New York/Michigan price due to the Canadian tariff on imported cherries.

SWEET CHERRIES

Total Ontario acreage of sweet cherries is relatively stable at around 2,200 acres. About 40% of production is processed, the balance is consumed fresh. The maraschino cherry processing market has been under pressure from low priced imports from southern European Common Market countries and some processors are wondering how long they will be able to continue.

Table 7. Ontario Sweet Cherries

| Year | Acreage | Production (thousands of pounds) | Percent of crop to fresh market |
|--------------|---------|--|---------------------------------------|
| Avg. 1961-65 | 1,764 | 10,689 | 75.0 |
| 1966 | 2,752 | 12,064 | 56.8 |
| 1967 | | 10,862 | 63.1 |
| 1968 | | 8,200 | 82.5 |
| 1969 | | 10,149 | 59.0 |
| 1970 | 2,364 | 6,052 | 64.2 |
| 1971 | | 10,444 | 57.0 |

Source: Statistics Canada 22-003

Canned sweet cherries are presented in two forms, with and without pits. Sweet cherries with a pit seem to have more flavor. The fresh market in sweet cherries is experiencing an increasing demand which is expected to continue. Ontario and British Columbia, whose cherry harvest periods generally coincide, are competitors for the Ontario market at price levels profitable to Ontario growers.

PEARS

In 1971 Ontario had 5,700 acres of pears which can be divided into three parts:

- 1) The Bartlett pear crop accounts for around 3,400 acres.* About half of this is processed into canned pear halves and slices, and the balance is marketed on the fresh market in the fall.
- 2) The Kieffer pear crop accounts for 1,400 acres* and practically all of it is processed into canned dessert pear

halves. The quality of this dessert pear is not good and many people feel the grade "dessert" is misleading. It is recommended that the grade be changed so as to include the variety, for instance Bartlett or Kieffer Pears, on the label.

3) Pear varieties used exclusively in the fresh market such as Clapp, Anjou, Bosc, Cifford account for 900* acres.

The total acreage in pears seems to be increasing slowly but production is increasing at a more rapid rate. The demand for fresh pears is increasing, according to per capita consumption figures (Table 11). Much of the fresh market requirement for pears is being supplied by imports from western U.S.A. and British Columbia outside Ontario's production season.

California, South Africa, and, particularly, Australia are reported to be increasing pear acreage. Their production will most likely be marketed in processed forms throughout the world. The entry of the U.K. into the E.E.C. and its high tariff barriers are expected to force Australia and South Africa to sell a larger part of their output in Canada at low prices.

Pear processing is highly mechanized. The land available for pear production in Ontario is ample. However, the development of a larger, more efficient industry depends on controls against lower cost imports from outside North America.

* Source: Ontario Department of Agriculture & Food
Publication 20, Agricultural Statistics, 1970

Table 8. Ontario Pears

| Year | Acreage | Production (thousands of pounds) | Percent of crop to fresh market |
|--------------|---------|-------------------------------------|---------------------------------------|
| Avg. 1961-65 | 6,463 | 46,050 | 26.7 |
| 1966 | 3,128 | 55,641 | 41.0 |
| 1967 | | 44,723 | 49.7 |
| 1968 | | 37,083 | 24.5 |
| 1969 | | 42,631 | 29.3 |
| 1970 | 5,716 | 43,402 | 22.6 |
| 1971 | | 53,088 | 38.9 |

Source: Statistics Canada 22-003

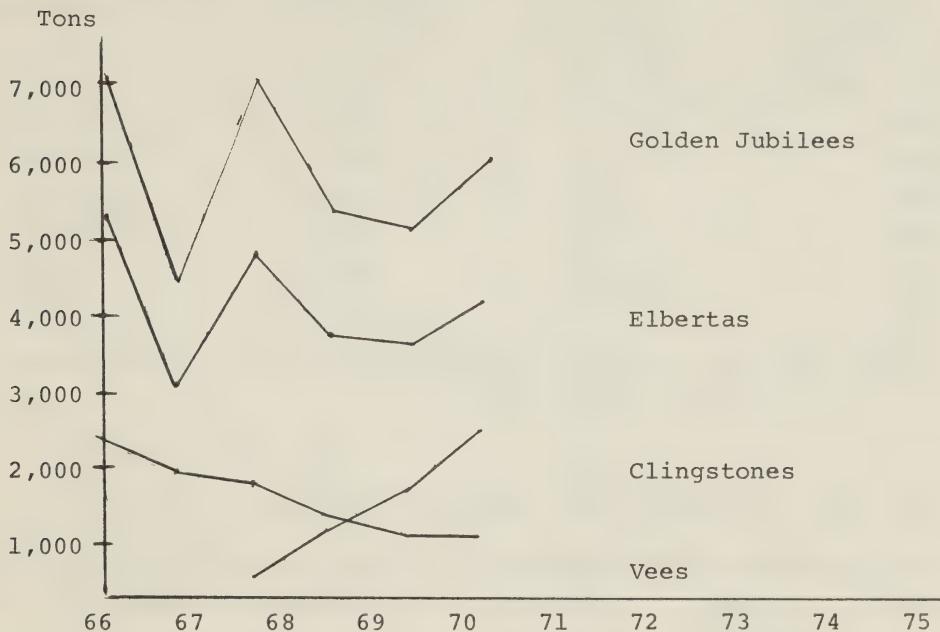
PEACHES

The acreage of peaches in Ontario is decreasing at an alarming rate. In the 1960's a quarter of all peach acreage was taken out of production, leaving about 10,100 acres in 1970. Production has declined only slightly over the same period and actually increased in the last five years. Yield per acre has, therefore, increased.

Figure No. 1 compares the processing for four peach varieties over the past six years. It is interesting to note the rapid climb of clingstone peaches.

There has been a reduction in yellow-skin varieties which are more suitable for processing. This reduction exceeds the loss due to total peach growing acreage taken out of production. Replantings are primarily of red-skin varieties suitable for fresh marketing or processing.

Figure 1. Production of Peach Processing Varieties



Source: Ontario Tender Fruit Marketing Board

The tonnage of peaches processed over the past 10 years declined from a 20,000-ton annual average to around a 12,000-ton annual average.

Per capita consumption of canned peaches has increased over this same 10-year period, the increase in supply coming from much larger quantities of imported clingstone peaches.

Table 9. Ontario Peaches

| Year | Acreage | Production (thousands of pounds) | Percent of crop to fresh market |
|--------------|---------|-------------------------------------|---------------------------------------|
| Avg. 1961-65 | 13,810 | 98,676 | 53.3 |
| 1966 | 11,069 | 86,181 | 64.2 |
| 1967 | | 60,176 | 67.9 |
| 1968 | | 79,428 | 62.7 |
| 1969 | | 84,991 | 71.0 |
| 1970 | 10,169 | 90,254 | 73.1 |
| 1971 | | 106,644 | 72.2 |

Source: Statistics Canada 22-003

Table 10. Processed Peach Varieties Delivered to Processors

| Year | Golden Jubilee | | Elberta | | Clingstone | | Vees | | Totals |
|------|----------------|----|---------|----|------------|----|-------|----|--------|
| | Tons | % | Tons | % | Tons | % | Tons | % | |
| 1966 | 7,466 | 48 | 5,482 | 36 | | | 2,489 | 16 | 15,437 |
| 1967 | 4,461 | 46 | 3,095 | 33 | | | 2,004 | 21 | 9,560 |
| 1968 | 7,170 | 49 | 4,852 | 33 | 621 | 4 | 1,868 | 13 | 14,511 |
| 1969 | 5,237 | 43 | 3,881 | 32 | 1,308 | 11 | 1,582 | 13 | 12,008 |
| 1970 | 5,241 | 43 | 3,768 | 31 | 1,708 | 15 | 1,343 | 11 | 12,060 |
| 1971 | 6,126 | 42 | 4,298 | 30 | 2,670 | 19 | 1,247 | 9 | 14,342 |

Source: Ontario Tender Fruit Marketing Board

Table 11. Projected Level of Consumption per Capita
for Individual Fruits, Canada 1980*

| | Base Period (1964-1966) | 1980 Projected Level of Consumption lbs. | Change Over the Base Period Consumption % |
|------------------------------|----------------------------|---|--|
| Montmorency Cherries: | | | |
| Fresh | 1.0 | 1.0 | 0 |
| Processed | 1.2 | 1.6 | 33 |
| Total | 2.2 | 2.6 | 18 |
| Peaches: | | | |
| Fresh | 4.6 | 6.2 | 35 |
| Processed | 4.8 | 6.2 | 29 |
| Total | 9.4 | 12.4 | 32 |
| Pears: | | | |
| Fresh | 2.9 | 3.7 | 28 |
| Processed | 2.6 | 3.3 | 27 |
| Total | 5.5 | 7.0 | 27 |
| Strawberries: | | | |
| Fresh | 1.3 | 1.3 | 0 |
| Processed | 1.7 | 3.5 | 106 |
| Total | 3.0 | 4.8 | 60 |

Source: Statistics Canada - Per Capita Consumption - 32-226

The Canadian supply of domestic peaches comes primarily from Ontario. The only other area in Canada producing peaches in commercial quantities is the Okanagan Valley in British Columbia.

Processing of Ontario and British Columbia peaches declined significantly whereas peach imports gained a larger share of the Canadian market (Table 12).

Table 12. Sources of Canned Peaches Consumed in Canada

| Year | Ontario Tonnage | B.C. Tonnage | Imported Canned Peaches converted to Fresh Equivalent | Total Canned Consumption Tons(2) | Ontario Supplied % |
|---------|--------------------|-----------------|---|--|--------------------------|
| 1962 | 21,300 | 6,851 | 14,690 | 42,840 | 49.7 |
| 1963 | 22,775 | 4,975 | 18,364 | 46,114 | 49.4 |
| 1964 | 23,050 | 7,800 | 20,583 | 51,433 | 44.8 |
| 1965 | 17,475 | - | 27,392 | 44,867 | 38.9 |
| 1966 | 15,436 | 3,375 | 29,945 | 48,756 | 31.7 |
| 1967 | 9,683 | 2,683 | 33,656 | 45,989 | 21.1 |
| 1968 | 14,574 | 1,850 | 34,456 | 50,880 | 28.6 |
| 1969 | 11,995 | - | 37,820 | 49,815 | 24.1 |
| 1970 | 12,060 | 1,328 | 25,942 | 39,330 | 30.7 |
| 1071(1) | 14,300 | 1,591 | 30,589 | 46,480 | 30.8 |

(1) Estimate

(2) Conversion Factor: 1 canned = 1.02 fresh

Source: C.D.A. Crop & Seasonal Price Summaries
Statistics Canada Trade of Canada

CHAPTER II
THE PEACH PROCESSING SITUATION

While the report refers to tender fruit in general this section is primarily concerned with the peach processing industry. The typical peach processor in Ontario processes 1000 - 1500 tons each year: one large operator handles significantly above this volume while the smallest handles less than 100 tons. There are seven plants processing peaches in Ontario, including two baby food manufacturers.

The two major problems facing peach processors are continuity of supply and foreign competition.

1. Continuity of Supply. Ontario processors do not have guaranteed supplies of peaches for their plants. Though the Tender Fruit Growers Marketing Board sets the price for their members with processors, it remains the responsibility of individual growers and processors to arrange for sales and supplies. Agreements signed by processor and grower do not as a rule guarantee either a market for the grower or sufficient supply for the processor.

During short crop years, the tendency has been for some growers to sell their products in the higher priced fresh market, leaving processors without sufficient fruit to process in spite of signed agreements that seemed to assure processing supplies. Partly for this reason processors tend to over-contract and during long crop years they are often flooded with products and may have to reject fruit in spite of a signed agreement. As a consequence business relations between growers and processors, although showing some improvement, are often less than harmonious.

2. Competition. The competitive picture for Ontario peaches is complex. Processors in Ontario compete against each other, and against imports. The main points where imports originate are

Australia, South Africa, and California: their producers also compete among themselves.

HISTORY OF FOREIGN IMPORTS

In the mid-60's, Australians began marketing their peaches, pears, and fruit cocktail in Canada. At that time their prices were lowered deliberately to break into the Canadian market. In 1967 Australian competition became so severe that the Canadian Food Processors Association and the Canadian Horticultural Council jointly submitted a brief to the Canadian Government on the peach, pear, and apricot processing industry. This brief requested the Federal Government to take immediate action to save the Canadian tender fruit growing and processing industry.

The Federal Government discussed this matter with the Australian Government, which responded by increasing Australian prices in our market, thus giving the industry a more realistic pricing structure to work with. By then, however, the Australian product was well entrenched in the Canadian market.

In 1970 the Canadian Government floated the dollar, which rose from 92.5¢ U.S. to around its current level of \$1.02 U.S. As a result a case of peaches selling for \$6.00 in 1969 is now selling at \$5.40. This again placed the Canadian processing industry in an unsatisfactory competitive position, perhaps worse than in the 1966-67 price-cutting duel with Australia.

ONTARIO COSTS

At our request Ontario peach processors supplied their production costs:

Table 13. Average Cost of Processing a 24 x 14 oz. Case of Canada Choice Grade Freestone Peaches in Ontario

| | <u>1967</u> | <u>1971</u> | <u>Per Cent Increase 1967/1971</u> |
|-----------|-------------|-------------|--|
| Labor | \$.76 | \$.94 | 23.8% |
| Container | .95 | 1.32 | 37.8% |
| Sugar | .30 | .36 | 21.2% |
| Overhead | 1.22 | 1.29 | 5.7% |
| Peaches | <u>1.78</u> | <u>1.86</u> | <u>4.4%</u> |
| | \$5.01 | \$5.77 | 15.2% |

Source: Touche Ross Bailey Smart 1967 Report
Research by O.F.C.

The 1971 total cost of \$5.77 represents an average cost for Ontario's best quality choice freestone peach.

Costs experienced by different processors within Ontario vary greatly with the type of operations. For comparative purposes five categories were used to compare prices.

Labor

This includes all direct labor involved in receiving, preparation, canning, processing, warehousing, and general service. The degree of mechanization causes a great deal of fluctuation in this cost. If a line is highly automated the labor costs are relatively low while an unmechanized line requires high inputs of labor.

Container costs

This includes tins, labels, and cardboard cartons. Cost variations between processors are mainly due to volume

and choice of material.

Sugar

The cost of sugar varies between processors very slightly because of volume discounts and concentration of sugar syrup used.

Overhead

This includes:

- 1) variable overhead consisting of general service labor (off season), employee benefits, royalties, fuel, water, and power;
- 2) specific selling costs include freight, delivery, (to warehouse) brokerage, cash discounts, and swells;
- 3) standby and programmed expenses consisting of field overhead, supervision, factory burden, financial, administrative, and general selling costs.

Standby and programmed expenses can vary quite significantly if mechanization is introduced. Labor savings from the introduction of a mechanical line are not so significant when the cost of increased overhead is included.

An added cost of production is caused by provincial requirements for pollution control. A few processing plants which are not located on sewer lines have had to install water treatment systems ranging in cost from \$50,000 to \$400,000.

Cost of Peaches

This is more than the negotiated price paid to the grower. For example, the negotiated price for peaches in 1971 was

\$140.50 per ton delivered to the plant. After delivery the processor had to store the peaches and remove much of the field heat for processing. Sometimes transportation costs ran high as storage as far away as Toronto, London, or Buffalo was used. So the total cost per ton of peaches at the processing line would be as follows :

| | |
|-------------------------------|-------------|
| Cost of Peaches | \$140.50 |
| Hauling (to and from storage) | 1.50 |
| Fieldmen | 1.00 |
| Storage | <u>7.00</u> |
| | \$150.00 |

A further breakdown of price is necessary since the cases packed do not all meet the same grade standard. The breakdown would vary but a typical yield would be 55% choice grade, 30% standard grade, 14% sub-standard grade, and 1% pulp stock.

The breakdown in cost-sharing varies with the processor but the cost allocation formula below may serve as an example of the distribution of costs:

Table 14 Example of Cost Formula for Fresh Peaches

| <u>Quality</u> | |
|----------------|----------------------------|
| Choice | \$160.00/ton |
| Standard | 150.00/ton |
| Sub-Standard | 123.00/ton |
| Pulp | 100.00/ton |
| <u>Pack</u> | |
| Choice | 55% x \$160/ton = \$ 88.00 |
| Standard | 28% x 150/ton = 42.00 |
| Sub-Standard | 13% x 123/ton = 16.00 |
| Pulp Residue | 4% x 100/ton = 4.00 |
| | \$150.00/ton |

Since there are approximately 23 lb.* of fresh peaches in a case of 24 x 14 oz. choice peach halves, the cost of peaches in a case is $\frac{\$160}{2000} \times 23 = \1.84 , which may be regarded as an average for the industry.

Ontario's cost of production for both fresh peaches and canned peaches is higher than other countries because of higher labor costs due to the tender nature of the freestone peach and lower yields. Container costs are higher in Ontario because of shorter production runs. Overhead is much higher per can of peaches than in California, South Africa, or Australia because of the lower volume of fruit processed.

Perhaps the largest cost difference between Ontario and California is the size of peach delivered to the plant. Ontario grades require a 2-1/8" minimum size while California requires a 2-3/8" minimum size. Canadian sizing allows approximately 9000 peaches per ton while California sizing requirements allow about 6,600 peaches per ton. Handling charges in California are 26% lower than in Ontario, which leads to considerable savings in processing costs.

The less mechanized Ontario plants should have lower overhead costs than the highly mechanized cling processing plants in California or Australia. This, however, is not the case because of the relatively low volume produced in most Ontario peach processing plants. Ontario's volume of over 14,000 tons of peaches processed in 1971 seems large, but it is dwarfed by the largest producers in the world, Australia, South Africa, and California.

* Based on 87 cases per ton yield

INTERNATIONAL DISTRIBUTION COSTS AND A COMPARISON OF WHOLESALE PEACH PRICES IN TORONTO

Establishing accurate prices for peaches from all sources involves selecting a single point in the distribution chain and identifying all discounts, allowances, rebates, and so on, whether published or not. For Table 15 the chain store warehouse was selected as the point.

CALIFORNIA

Ontario choice freestone peaches must compete in the market with clingstone and freestone varieties from California.

Table 16 shows the average industry cost structures for a 24 x 14 oz. case.

Canadian and California freestone peaches are competitive in Ontario markets when transportation and duties are included, and for that reason California freestone peaches are not offered in Eastern Canada.

After examining the California cost of production figures and comparing them with net returns it seems that they are not profitable and, as in Ontario, the producers are only able to meet these levels of pricing by adjusting their overhead costs.

It is significant that these California costs are industry averages, arrived at by independent audit. Some processors will operate below this cost level, just as some will be above it.

A comparison of Tables 15 and 16 suggests that the California packer offering clingstone peaches for \$5.49, less 36 cents in discount, has a cost of production below the industry average in Table 16 or is not recovering his overhead expenses in full.

Table 15. Price of Various Grades of Peaches from Different Countries of Origin Delivered to the Chain Store Warehouse - 24 x 14 oz. January 1972.

| | South African Clingstone Fancy Choice | Australian Clingstone Fancy Choice | California Clingstone Fancy | Canada Choice Freestone |
|--|---|--|-----------------------------------|-------------------------------|
| Selling Price | | | | |
| Delivered Toronto | 5.35 | 4.85 | 6.00 | 4.95 |
| Less: Local Cartage | .10 | .10 | .10 | .10 |
| -Storage & Handling | .06 | .06 | .06 | .06 |
| -Cash Discounts | .05 | .06 | .06 | .06 |
| -Brokerage | .13 | .12 | .15 | .12 |
| -Leaks & Swells | .01 | .01 | .01 | .01 |
| -Volume Incentive(1) | | | | N.A. |
| -Co-op Advertising | — | — | .15 | .15 |
| Net Sales Return | 5.00 | 4.51 | 5.47 | 4.46 |
| Less Duty on 26 lb. | .45 | .45 | .06½ | .06½ |
| -freight from dock to Toronto(includes Wharfage if sea route) | .62 | .62 | .65 | .65 |
| -insurance | .08 | .07 | .08 | .07 |
| Value FOB home | | | | |
| -port | 3.85 | 3.37 | 4.68 | 3.68 |
| -less freight, plant to dock | .10 | .10 | .10 | .10 |
| Value FOB plant | 3.75 | 3.27 | 4.58 | 3.58 |
| | | | | 3.73 |
| | | | | 5.45 |

(1) Available from time to time from all areas.

Note: All figures based on standard industry costs and charges.

Table 16 Cost Structure of Processed Peaches Ontario and California

| | Ontario Choice Freestone | California Fancy Clingstone | California Choice Freestone |
|-------|-----------------------------|--------------------------------|--------------------------------|
| Labor | .940 | .500 | .797 |
| | 1.315 | 1.005 | 1.004 |
| | .363 | .380 | .412 |
| | 1.288 | 1.339 | 1.481 |
| | <u>1.860</u> | <u>.869</u> | <u>.696</u> |
| Total | 5.766 | 4.093 | 4.390 |

Source: Touche Ross Bailey & Smart Annual California Survey 1972

Based on the processed cost structure of California cling peaches (Table 16) a Toronto price of \$5.87 FOB warehouse would be indicated. Competition at this price level would keep the Ontario processor efficient yet at the same time provide a viable market for both growers and processors.

AUSTRALIA

Australian fancy quality cling peaches offered on Canadian markets were priced at the \$6.00 level in February 1972. Various sources indicate that Australian production is levelling off and prices could be expected to be more realistic in the future if Australians do not lose the British market.

The Australian pricing for choice quality peaches is depressing the Canadian market. In February 1972 Australian choice quality 24 x 14 oz. peaches were selling to chain store wholesale warehouses at \$4.95 a case. If costs of transportation and duty are deducted this gives a price of \$3.58 FOB factory in Australia. Australian cost of production figures are not available but indications are that the return

to growers for peaches is minimal. At a level around \$4.95 per case of canned peaches delivered, these prices are injuring Ontario's processors since domestic prices must be below cost of production to compete.

The Australian Trade Agreement of June 9, 1960 states in Article VI, Section 3:

If either government considers that a product is being imported from the other country under such conditions as to cause material injury to producers of like or directly competitive products in the country of importation, the two governments shall after notice has been given in writing, consult together to consider measures to prevent further injury.

Article VI appears to provide a provision under which the Government of Canada could institute consultation to reduce or eliminate the import of Australian choice peaches at price levels that are harmful to the Ontario industry and provide minimal returns to the Australian industry. The fact that two Ontario fruit processors are planning to terminate operations in 1972 should provide ample evidence that Australian pricing is harming the Ontario industry.

The entry of Britain into the E.E.C. may create problems for the Australian peach industry which could result in a further drive to increase sales in Canada. The Canadian market is particularly attractive because of the current low duty on Australian peaches. For these reasons it would seem to be timely for the Federal Government to discuss volumes and pricing with the Australian government.

SOUTH AFRICA

Wholesale prices for South African peaches, 24 x 14 oz. case FOB Toronto in February 1972, were \$5.35 for fancy quality and \$4.85 for choice. These prices cause problems for our processors similar to those created by the Australian product.

South African peaches enter Canada under the British Preferential Trade Agreement duty rate which will be renegotiated on British entry into the E.E.C. At that time protection for Ontario's tender fruit industry must be preserved. The Federal Government should be made fully aware that it is intolerable that the Ontario peach industry suffer from the market dislocation which is expected to result from loss of a price advantage in the United Kingdom.

PEACH PROCESSING VARIETIES

Another area of concern is the variety of peaches to be processed. The production of freestone processing varieties is declining and is expected to continue to do so until it matches the demand for what many consider a superior tasting product. This level of production may be 4,000 or 5,000 tons per year.

Clingstone peaches for processing, however, have a much more promising future. A basic market exists in Ontario for supplying requirements at both the Heinz and Gerber baby food plants. These outlets require about 2,000 tons of peaches a year. Less promising is the production of fruit cocktail. The quantity of peaches required for this market is at present about 2,000 tons a year but if private label processors were to be switched to foreign sources of supply the volume used could be reduced to 1,000 tons or less. This means that the

basic demand for clingstone peaches will approximate 3,000 to 4,000 tons per year. Any supplies above this level will become available for canning as peach halves or slices.

The major problem in canning clingstone peach halves or slices seems to arise from the need to install mechanized processing equipment to assure competitive efficiency or production. In view of the basic costs examined before --labor, containers, sugar, peaches and overhead -- one can appreciate the difficulties confronting processors.

The container costs for clingstone and freestone peaches are the same and would be slightly higher than corresponding California costs. They amount to about \$1.30/case 24 x 14 oz. in Ontario.

Sugar bought in Canada should be slightly below that California price -- about 37¢ per case 24 x 14 oz.

Labor on a mechanized clingstone line is difficult to determine because of production rates. An estimated average cost would be approximately 60¢ for a 24 x 14 oz. case.

Overhead per case depends largely on rate of production. A cling peach production line which costs approximately \$100,000 is burdened with the fixed cost of depreciation no matter how many cases are produced. Overhead cost incurred on a cling peach production line will be greater than on a freestone peach production line because of the higher cost of the original equipment. With a clingstone line processing 4,000 tons per season and all other factors being equal, an approximate overhead of \$1.80 per case seems a reasonable estimate.

This results in a cost of about \$3.88 plus the cost of peaches. To compete at \$5.70 to \$6.00 a 24 x 14 oz. case the cost of peaches acquired should be in a range of \$1.50 to \$1.80 per case.

This suggests a price of \$120.00 to \$140.00 per ton to growers for their fruit. It should be emphasized that these figures are approximations and in practice they could vary considerably; there is now no production line of this type in operation in Ontario to provide actual figures.

Unless clingstone peaches are planted in volume for a processing market the future of the Ontario tender fruit processing industry is questionable. Though freestone peaches will continue to be processed at a level of 4,000 or 5,000 tons in the future, this volume seems insufficient to support the four or five plants now processing fruit and some may eventually close. If plants close, facilities to process peaches and other tender fruits would be severely curtailed thus putting further strain on the producers.

CHAPTER III
TENDER FRUIT PRODUCTION AND THE FRESH MARKET

URBAN SPRAWL AND THE GROWER

A prevalent attitude encountered when discussing further prospects with growers was that urban sprawl would take over most of the fruit growing areas of the Niagara Peninsula within the lifetime of a young farmer. This attitude deters many growers from effective long range planning for production or marketing. Indeed much research that is conducted at provincial and federal experimental stations aims to develop tender fruit varieties that can be produced in areas other than Niagara. This reinforces the feeling of growers that their land will be sold for residential or commercial use in the foreseeable future.

Speculating has driven the price of open land to between \$2,000 and \$4,000 per acre. These prices deter the young grower from entering fruit farming or expanding small farms.

Two distinct types of growers can be found in the Niagara Peninsula.

The Part-Time Grower

This is someone who generally farms less than 15 acres of land and supplements his income with employment off the farm. He can afford to gamble in marketing his crops since his livelihood does not entirely depend on marketing his farm produce. For this reason he may generally seek the higher returns offered on the fresh market where he may benefit from an extra 2¢ - 5¢ a pound.

As far as labor requirements are concerned the part-time grower is generally very flexible. The small acreage to be harvested does not require much labor input and the grower's family can usually meet these requirements.

The Full-Time Grower

This is the grower who is committed to farming with no other source of income and who generally has more than 20 acres of land. If he grows peaches, half his land may be in peaches, the other half in cherries or perhaps a later crop such as grapes, apples, or pears.

In marketing his crop the full-time grower is faced with the dilemma of whether he should gamble and put his entire crop on the fresh market or take the security of the processing market for at least a part of his crop.

Marketing a part of the crop on the processing market can be an excellent hedge against unexpected fresh market conditions such as over-supply or availability of out-of-province merchandise.

To harvest his crop, the full-time grower must plan and organize his labor requirements and supplies well in advance of his harvest. If labor is in short supply it may be impossible to dispose of his entire crop on the fresh market because of greater labor requirements in harvesting and packing the product.

THE FRESH MARKET

Wholesaling fresh tender fruit through shippers and retailers is the most common method adopted by growers to dispose of their product on the fresh market. This channel must be regarded as the primary method of distribution for fresh tender fruit.

Wholesale Function

The Fresh Fruit Marketing Board operates the Central Fruit Exchange which is a one-desk sales and billing agent for products under marketing legislation. Private shipper-dealers assemble and load products as agents of the exchange. Large quantities of non-controlled products such as strawberries and sweet cherries are also handled through the exchange.

The exchange supplies most major distributors in Toronto and all distributors in other cities from the Prairies to the Atlantic Provinces. It allows buyers to obtain everything they need from one source where previously several dealers had to be contacted. The exchange has also been able to supply distant markets on a more consistent basis and has improved growers' incomes.

A greater portion of the crop can be handled through this system. Any increases in production should be gradual and some production planning for an orderly flow of, for instance, peaches to market would reduce the tendency to over-supply at certain times. Such planning would be essential if the processing industry were to disappear and if market over-supply and distress pricing were to be avoided. The strawberry industry, which has no processing segment and no production scheduling, experiences frequent over-supply situations with distress prices.

The fresh market for tender fruit is basically vigorous and it would appear that it will remain so if a proper balance between markets can be maintained.

Direct Marketing

The past 10 years have seen a rapid rise in the number of growers who are selling their products directly to consumers. This system by-passes wholesale and retail levels or rather replaces their formal functions. The grower becomes his own wholesaler and retailer in one of two ways: by selling on roadside stands or by offering "pick your own" facilities.

People are much more concerned today with what they eat and the quality they buy. The farm roadside market near the place where farm products are grown is a natural source of supply for this kind of demand. Freshness and quality can be delivered at a realistic price, and a properly run well-equipped roadside market performs a wholesale function when it provides the customer with high quality and fresh products.

The grower must also assume the retail function in displaying the product in a form and size acceptable to the customer. The market must remain open at times convenient to the buyer, which includes Sundays, evenings, and other times when the product may be available from a competitor.

It is expected that this form of selling will become increasingly important but not necessarily at the expense of other means of supplying the fresh market. This form of selling could allow a small farmer to remain viable when he would fail to do so otherwise.

CHAPTER IV
COORDINATION OF GROWER MARKETING IN THE '70's

PROBLEMS OF THE MARKETS

Many growers have come to realize that without the processing industry the fresh market would suffer from over-supply in heavy crop years. Over-supply on the fresh market results in depressed prices and poor returns to the grower. Fluctuations in yield from year to year make it difficult to market the entire crop fresh. The availability of two outlets, the fresh market and the processing market, tends to stabilize prices and to counteract the adverse effects of cyclical production. To rely in peak peach production years, for instance, on the fresh market only would require all available markets from Regina to St. John's to market the entire Ontario peach crop. In short years, however, only major centres such as Toronto, Montreal, and perhaps Winnipeg could be supplied with sufficient quantities. The areas not receiving supplies or receiving them only sporadically would soon switch to foreign sources of supply to assure consistent delivery of fresh peaches. This action would eventually cause problems in peak production years because crops on the fresh market would be directly competing with imports from the tail end of foreign production runs. This type of clean-up product from foreign countries is traditionally low priced since profits have already been made on the early portion of these crops. In other words, the problems now faced by growers on the processing market would have to be faced on the fresh market too.

An example of restrictive marketing and its problems can be found in the strawberry industry of southern Ontario. Strawberry growers have only one outlet (the fresh market) as a result of not supplying the processors. They are consequently

confronted with a shaky price structure in general and disastrously low returns in peak production years. Eventually, the availability of one market only will cause problems to any group of producers where the crop fluctuates from year to year.

The two markets, fresh and processed, can exist together as long as both are economically viable. Each market must represent a profitable outlet for farm produce. It is a most important function of growers' organizations to strive to achieve and maintain a sound economic balance between these two markets to assure maximum profitability in the long term. This involves assessment and planning to obtain optimal marketing conditions for the benefit of growers.

WILL ONTARIO TENDER FRUIT PROCESSING CONTINUE?

Processing companies must operate profitably. They are responsible to their shareholders and must show a return on their investment or lose business and face bankruptcy eventually. Merely putting product in tins is not enough. The product must be sold at a profit to assure a return on investment.

If the peach processor is to spend money on his plant to modernize he must be reasonably sure of an equitable return on his investment. To install automatic equipment in a plant to reduce labor costs may not always be a sound course of action. The increased costs of overhead are largely fixed and far less flexible than the higher labor costs incurred by an unmechanized line. The cost of the equipment may require several years' operation to recapture the initial investment. Will there be peaches available for processing during this period of recapture? This question is the primary concern of the peach processor.

Processors have been concerned with this problem for some time. Uncertainty about the adequacy of future supplies has caused processors in general to adopt a wait-and-see attitude. With increasing costs in materials and labor and increasing pressure on retail price structures from imported products, this attitude has contributed to the closing of processing plants. Will processing continue? It will if a healthy economic environment is developed and sustained.

INFORMATION FOR EFFECTIVE MARKETING

If the most important single requirement is to keep the peach industry well balanced between fresh and processed products and to channel available supplies accordingly, it seems that a realistic information system should be available to coordinate the distribution of the crop.

The information system must start with accurate crop prediction. The size of the crop and harvest dates should be accurately estimated. Accurate up-to-date records of the number and kind of fruit trees in production is essential to give direction to future sales and planning. Growers could then obtain good information on what varieties are likely to be over-supplied or under-supplied and planting decisions could be made accordingly. A fruit tree requires at least four years before a crop is harvested.

To promote, modernize, expand, or generally plan any phase of the processing industry, there must be a careful plan for future production. If processors were assured of receiving a percentage of the crop they might more readily decide on the capital expenditures needed to improve their facilities and modernize their lines.

It would appear that the growers' boards as a whole are the only group that can give the fresh or processing industry assurance on future supplies. Problems appear to exist in two areas:

1. The two boards, Fresh Fruit Marketing Board and Tender Fruit Marketing Board, have not had any formal channel for sharing information.
2. The methods of allocating fruit from grower to various markets, fresh or processed, are somewhat haphazard.

Much work has been done on board amalgamation. Perhaps the solution to the two problems will be found in closer coordination of these boards.

As pointed out in Report No. 13 of the Special Committee on Farm Income, the concern when considering amalgamation should not be efficiency but rather effectiveness. Since fruit board administrative costs average less than 1% of the annual value of the commodity, any savings derived from amalgamation would be almost academic since operating expenses of less than 1% would be difficult to match in any industry.

To be truly effective a board should take on many duties which may cost money. This will reduce its efficiency but on the other hand increase its effectiveness by providing more accurate control, more involved marketing, more pertinent information, and better service to growers and customers. Increased effectiveness would ultimately result in greater returns⁴ to growers.

Involved marketing techniques do not have to be difficult or highly detailed but should aim first at

collecting all available information on competitive products in the trading area. This would include prices (e.g., on fresh peaches from the east coast of the U.S.A. or the west coast of the U.S.A; canned peaches from California, South Africa, and Australia) and supply (available now, in the short term, say three to six months, and in the long term, up to five years). It would also include assessments of demand in given market areas for a product, competitive products, and substitutes, evaluation of grower satisfaction, shipper-dealer satisfaction, retail satisfaction, processor satisfaction, and, most important, consumer satisfaction. This information must be effectively funneled back to the grower to enable him to meet these requirements through greater awareness and planning operations.

Marketing should include promotion and advertising in a combined approach for both fresh and processed products. Promotion should be planned and budgeted over a long period of time to build demand, rather than through short-term promotional campaigns, which often produce no lasting effects.

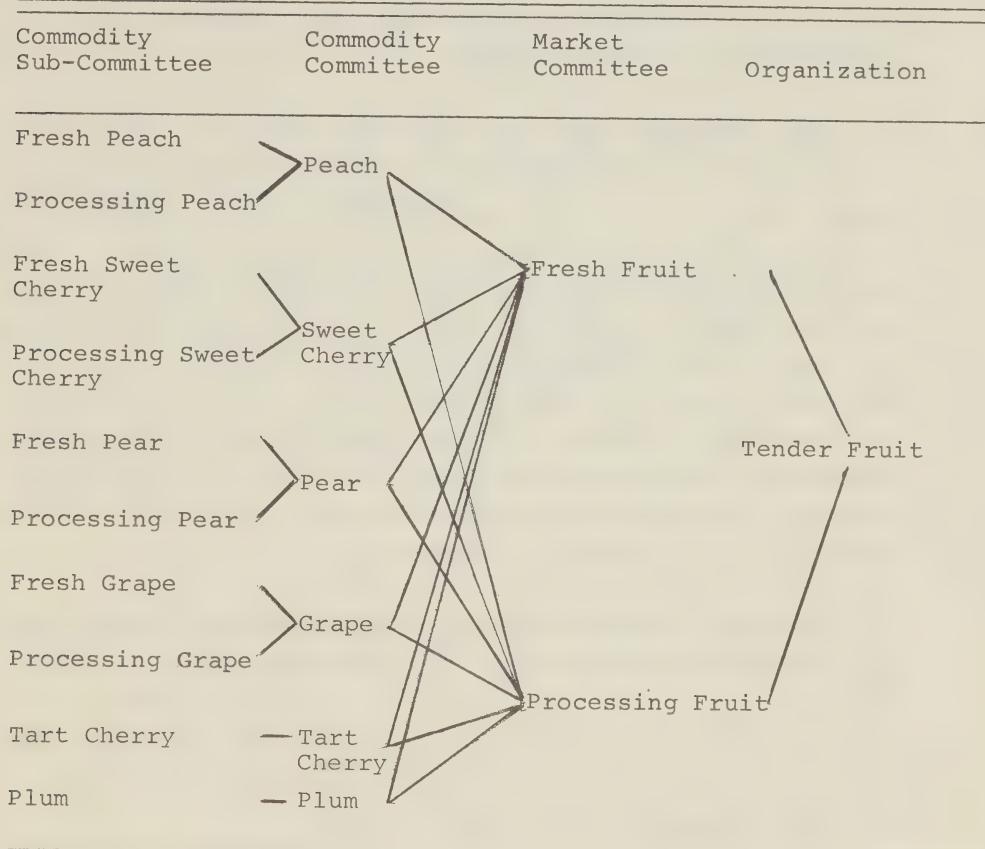
Market development is an area that challenges the boards to improve their effectiveness. Their targets should include an increase of sales in existing markets and the development of new markets. New product development, new packaging techniques, and new processing markets -- e.g., frozen -- are all areas with potential.

Any suggestion of board amalgamation seems to be somewhat academic since the working of the boards along commodity lines appears to be an effective way of handling the flow of information through the industry.

An example of a structural model of the tender fruit industry is presented in Diagram 1.

The titles of the columns are arbitrary, but the lines of communication are significant.

Diagram 1 Model for Communication in the Tender Fruit Industry



This model provides a network of communication among all sectors in the production level of the industry. Information concerning the entire industry could flow freely throughout the production level by newsletter and the circulation of minutes of meetings. This information would be valuable for producers and would be tangible evidence of a dynamic organization in

operation. This type of organization and action would solve the major problem of effective communication throughout the industry.

The second problem, the haphazard methods of allocating fruit to various markets, both fresh and processed, could also be resolved in the model.

The processor has to be sure that the quantities contracted for will be supplied. The grower who prefers to gamble and play the fresh market against the processing market is making both markets extremely unpredictable. On the other hand, the processor who contracts for product and does not accept on delivery must also be considered responsible for some of the troubles besetting the industry. Breaches of contracts by growers and processors occur only infrequently yet they are the source of much aggravation and friction between the industry groups. Much of this problem could be resolved if the board or commodity group rather than individual growers were to engage in contracting.

A grower should be aware of his responsibilities to the industry which provides him with his livelihood. He should let his organization know, once a year, which market he wishes to supply. As an example, he may wish to supply 30% to the processor, 40% to shipper-dealers, and 30% to his farmyard customers or a farmers' market.

After making his decision, laying out the way he wishes to dispose of his crop, and outlining the varieties he has to offer, the grower would have to provide a delivery schedule to all three markets. This information would then be relayed to the sales staff of the fresh fruit committee and included in the receiving schedules of the processed fruit committee.

Another critical area is planting recommendations. A balance would have to be established to keep all market areas in proper volumes of supply. This system would have to be developed over a number of years.

Punitive action in the form of fines or non-payment of premiums could be taken to encourage delivery of the contracted tonnage. Execution of these measures could be handled by the board where it could not be done by processors or shipper-dealers.

The major advantage of such an integrated marketing system would be close to total information of production and distribution of fruit before the opening of the harvesting season. Acts of God such as hail, wind, or heavy rains upset the marketing system at times but their disrupting influences are generally accepted by the trade and by consumers.

An organization that operates on a systems approach will be able to maximize profits because of its ability to react in advance to developing situations or problems.

CHAPTER V
LABOR AND STORAGE

Two problems, lack of storage facilities and lack of hand labor, affect both the fresh and processing parts of the tender fruit industry and are closely interrelated to market trends and production methods.

LABOR

No figures are available to explain the difficulty in obtaining suitable labor. The number employed in the labor force seems to be unrelated to the availability of personnel for harvesting, packing, or processing of tender fruit. It seems to be more difficult to obtain labor on today's market than it was five or 10 years ago. The wage rate increased from 75¢ to \$1.65 an hour, about the same rate of increase as was experienced in the whole labor market.

Easier access to welfare and the shorter period of qualification for unemployment insurance appear to be two reasons for the more severe labor shortages.

Two solutions to labor shortage are prevalent in labor intensive industries: the plant or industry moves to an area of labor supply or mechanizes its operation to reduce its labor requirements. Since moving the entire tender fruit industry is not feasible or desirable, mechanization seems to be the only alternative.

The trend to mechanization has become noticeable in the province in recent years. Grape harvesters, cherry shakers and bulk handling containers, an interest in peach shakers and

thinning sprays are all indications of future developments to replace labor.

An alternative might be found in a labor pool that could be bussed to areas in which a seasonal need developed.

STORAGE

The second problem is the seasonal shortage of suitable storage facilities in the production area of the Niagara Peninsula. During the harvest season of late August, September, and October producers of pears, peaches, apples, and some plums are competing for storage space, and distant storage is used for fruit from the Niagara area.

The termination of operations at the Boese plant in St. Catharines in the near future -- tentatively 1975 -- would also include closing four large storage rooms at this plant. This loss of storage space could cause the deterioration and decay of large quantities of tender fruit during the harvesting season of heavy crop years. It has been suggested that a new central storage facility in the St. Catharines area could be built to replace the Boese facilities. It is a central location and with the addition of office facilities for all tender fruit boards and committees could provide for better communication within the entire group.

The profitability of the proposed facility is questionable and should be examined. A centrally located storage building should support itself from storage charges. However, the fact that storage is required only seasonally makes it doubtful whether a building with high year-round overhead costs could be self-supporting.

If the recommendations for putting the tender fruit industry on a viable long-term basis are not carried out, a storage building may not be necessary. The possibility of developing on-farm storage that could be used for all crops -- for instance a pole barn with cement floor and urethane-sprayed walls -- could be a feasible alternative to the high expense of a large central storage.

If storage facilities are to be useful the product must go into storage as quickly as possible after harvest. On-farm storage would accomplish this far more effectively than a central facility some miles away.

The question of fruit storage in the Niagara Peninsula is a controversial subject that should be examined in more detail before definite conclusions are drawn.

CONCLUSIONS:

Peach processing is the key to tender fruit processing in Ontario. This industry is now at a crossroad of decision. Peaches, with the rest of the tender fruit industry following, can survive and expand as an industry by finding the right combination of supplying fresh fruit in season and sending a percentage of the crop to processors; or it can gradually diminish to a relatively small fresh fruit industry. If the second alternative were to occur, Ontario and Canada would become entirely dependent on imported products. This would leave Canada in a vulnerable position as far as price and supplies are concerned. With reasonable protection and responsible action a balance could be achieved between the fresh and processed markets to insure a bright future for the entire industry.

The challenge is now here.

The governments, both Federal and Provincial, must point the way. If they fail to act, future Canadians will be without a tender fruit industry and the blame will be fairly placed. If they do act, future Canadians will be blessed with yet another successful industry.

A standard linear barcode is located in the top right corner of the page. It consists of vertical black lines of varying widths on a white background.

3